

Message

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Subject: Moody - IESO April 2018

Moody (the external credit rating agency) contacted me today regarding their change for the IESO.

On Tuesday this week, Moody changed the Province of Ontario's credit outlook from "stable" to "negative", and there was no downgrade of the credit rating (re: Aa2).

Today, Moody is to issue a press release that the IESO's credit outlook will change from "stable" to "negative" and there is no downgrade of the IESO's current credit rating (re: Aa2).

Moody's rationale for this IESO action reflects the action taken on the Province of Ontario to which the IESO is linked.

Moody considers that the Province provides "extraordinary" support to the IESO and has viewed that any change in the Province is normally expected to have a similar change for the IESO.

While this is not positive news, it is generally not a surprise.

The IESO may expect some energy contract counterparties (and maybe the Fair Hydro program stakeholders) to raise this IESO change in outlook as a potential concern.

Moody will be conducting their annual deep analysis of the IESO's financials prior to July 2018, at which time any new changes in either the IESO's a) outlook or b) credit rating may happen.

Regards.